CREDIT UNIONS

Regulators Say Their Rx Is Proving to Be the Cure

By BILL ATKINSON

WASHINGTON — The National Credit Union Administration is finding that a heavy dose of regulatory medicine can work wonders for sick credit unions.

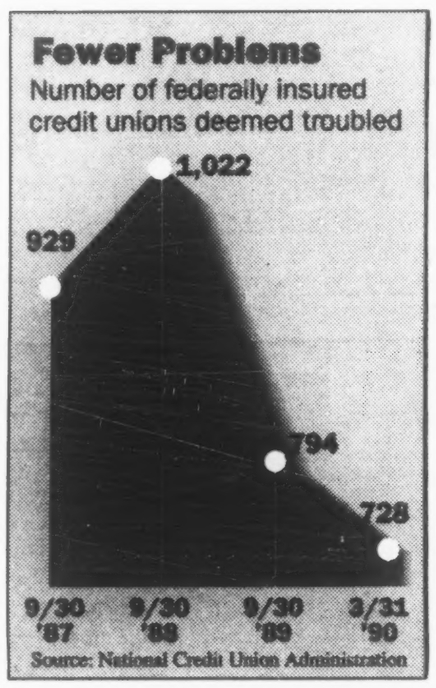
Since September 1988, the NCUA has designated a team of examiners to put insolvent credit unions or those headed for insolvency into an intensive-care program.

Sign a Letter of Agreement

Under the program, the regulatory agency requires management to sign a letter of agreement outlining the institution's problems and detailing how they will be cured. Thereafter, examiners visit the institution quarterly – and expect to see improvement with a year.

The effort paying off. The number of federally insured credit unions in trouble declined to 728 in March, from 1,022 when the program began.

The aggressive handling of troubled credit unions may be partly responsible for the slight rise in failures last year. Credit-union failures have generally been declining since 1981, when 349 collapsed. But in 1989 failures rose to 114, from 85 in 1988.



"The percentage of credit unions that have improved is much greater than the number of credit unions that have failed," said Robert E. Loftus, director of public and congressional affairs for the credit-union regulator. Since the program's inception, about 70% of the troubled institutions have improved their ratings and the remaining 30% have been merged or liquidated, Mr. Loftus said.

"We think [the program] has been a big success," he said. "What is important here is taking care of problems before they become overwhelming."

The NCUA is trying to make sure it steers clear of any crisis comparable to that of the S&L industry – a crisis that would call into question its ability to insure and regulate credit unions.

John T. Roycroft, vice president of Washington-based Callahan and Associates, a credit-union consulting and publishing firm, acknowledges that making sure credit unions are healthy is a good way to fight off challenges from bankers and others. As not-for-profit institutions, credit unions are exempt from paying tax on their income, a sore point with bankers.

"Credit unions have their own interest in keeping safe," Mr. Roycroft said. "Credit unions never have and hopefully never will go to the federal trough to find themselves rescued."

Credit Unions Rated on a Scale of 1 to 5

Like bank examiners, NCUA field agents rate credit unions on their credit, assets, management, equity, and liquidity. The ratings are from 1 to 5; 1 is best.

The 580 examiners on the NCUA staff look at each of the 14,000 federally insured credit unions at least once a year. Bank examiners concentrate on unhealthy institutions, and may not visit healthy ones annually.

> **'What we have done . . . is put our resources where we have to.'**
>
> **Gerard M. McClernon**
> *National Credit Union Administration*

If a credit union receives a rating of 4, the examiners take immediate action by requiring management to sign the letter of agreement.

When a rating slips to a 4, the institution is "going to get tremendous supervision," said Gerard M. McClernon, NCUA's director of risk management "What we have done . . . is put our resources where we have to." Mr. McClernon is expected to be named this month as executive director of the agency.

Up to 10 Examiners Enter Institutions

How many examiners the NCUA sends into an institution depends on its size; it may be just one or as many as 10. If the problems are large and complex, examiners from the NCUA's special-actions division are dispatched. The agency has six special-action teams always on call, Mr. McClernon said.

The examiners look at the expense ratio, problem loans, cost of funds, yield on assets, and operating expenses.

Typically, credit unions that sign the agreement don't have capital, or their capital is declining fast. If a credit union receives a 5 rating, it usually is merged into another institution or liquidated.

"Once the problem is recognized, it doesn't take very long," Mr. McClernon said. "It sounds like pie in the sky, but it works." □

Northeast Marketing Data Grow

Two Companies Offer Extensive Reports to Banks

By ELLEN MEMMELAAR

NEW YORK — In response to a highly competitive environment in the Northeast, two companies that sell marketing-oriented data bases are gearing up to help banks increase their market share at low cost.

The possibility of increased competition looms particularly heavy in Connecticut, which is opening its borders to banks from other states.

But sagging real estate prices, increased out-of-state competition, and an already cut-throat environment are forcing financial institutions throughout New England to seek low-cost ways to sharpen their marketing strategies.

Cost Said to Be Low

Smith & Co., a Connecticut market research company, is targeting these institutions with a data base that it says provides information on consumers at one-fifth the cost of its competitors. The service, called New England Databank, will deliver a quarterly report on consumer banking trends across Connecticut, Maine, Massachusetts, and New Hampshire.

Because the service is shared by many institutions, a 10-minute customer interview is sold for $5, against $25 for the same data on a proprietary basis, said Stephen Smith, president of the company bearing his name.

"I always tell our clients that Databank is like a party line. Everyone else is going to know your market share, so you may as well know it, too," he said.

Also citing the competitive nature of the New England market, Harte-Hanks Data Technologies is launching a marketing data base management system this month that will allow financial institutions to segment consumer lists by customer, branch, and product profitability.

Borders Are Opened

The fall of interstate banking barriers in Connecticut means banks from other states with reciprocal agreements can merge or acquire banks in the state. And out-of-state banks will be able to branch directly into Connecticut in February 1992.

While a weak New England real estate market is expected to deter some banks from entering Connectiuct, many New York banks are poised for action, said Mr. Smith. A financial institution such as Citicorp is almost certain to want to become a player, he said, increasing the already heavy competition.

The information on the New England Databank is broken out by towns, and it can be further sliced to reveal market share, advertising awareness, demographic profiles, media usage, and other statistics.

Interviews Are Extensive

The Databank is based on more than 50,000 consumer interviews conducted over the last four years. The file, which is given to participants on computer disc, is assembled from 6,500 telephone interviews each quarter.

The Harte-Hanks software package, called Profit, runs on the company's PC/CIS product and is designed to be used in tandem with its Predict software. Data can be accessed and analyzed directly from a personal computer.

Harte-Hanks, which was founded in 1968, counts half of the nation's top 100 largest commercial banks and thrift institutions among its clients. □

Chemical Bets on Neighborhood's Renewal

By ELLEN MEMMELAAR

NEW YORK — Sensing an opportunity in a neighborhood revitalization, Chemical Bank on Monday opened a branch in the Hell's Kitchen area of Manhattan.

The neighborhood received a shot in the arm from the giant real estate developer Zeckendorf Co., which built a 49-story office tower and a 39-story condominimum complex there.

After years of neglect, the area is on its way up, according to a spokesman for Chemical Bank.

Regentrification

"It is an ambitious undertaking by the Zeckendorf Co. which may well herald the regentrification of the middle West Side," said the bank spokesman. The advertising firm Ogilvy & Mather and a prominent law firm have moved into the office complex, which is said to be 90% leased. The condominiums are 65% full.

Chemical's office, at 49th Street and Ninth Avenue, will handle commercial and retail accounts. It is next to an electronic banking installation that was completed in March. The installation houses automated teller machines and customer information centers that print out statements, balance receipts, interest rates, monthly credit payments, and other information.

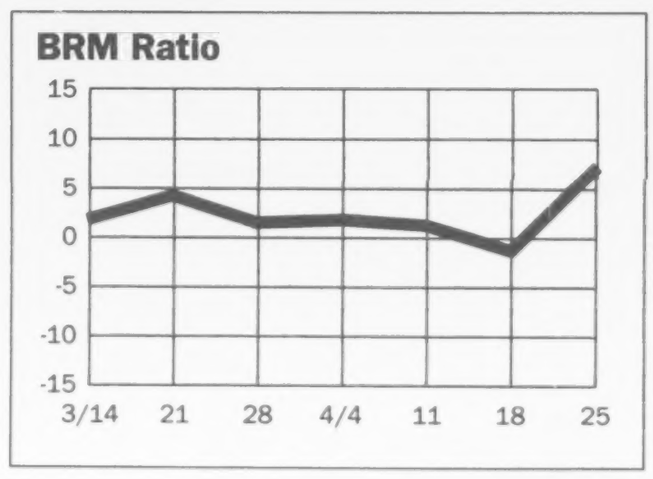
Free Movie Tickets

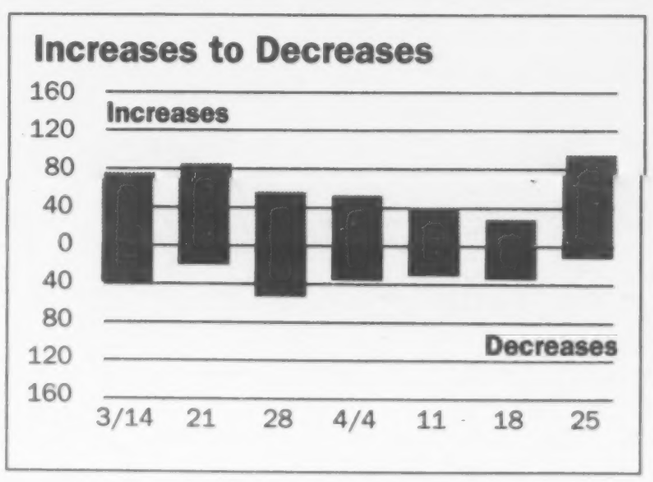
To promote the branch, Chemical is giving away movie tickets to customers who open a ChemPlus or a Select Banking account at the location. The tickets are good in the underground theater in the complex.

The unit of Chemical Banking Corp. recently agreed to purchase another Manhattan branch from Greater New York Savings Bank. The branch has $118 million in deposits. Chemical needs to obtain regulatory approval and conduct due dilligence before the sale can be completed. □

AMERICAN BANKER */Bank Rate Monitor's™*

Consumer Money Index — **Latest rate trend: Ratio shoots higher**





Bank Rate Monitor's ratio indicates the probable direction of retail interest rates over the next several weeks. The ratio is computed by dividing the total number of rate decreases into the number of increases or vice-versa on six types of accounts offered by the 10 largest banks and thrifts in each of the nation's 10 largest markets. Example: 100 rate increases and 25 decreases would make a 4-to-1 "Plus" ratio. Or, 100 decreases and 25 increases would make a 4-to-1 "Minus" ratio. Over time, the longer and farther the ratio moves on the Plus or Minus side, the more sustained the current rate cycle is likely to be. When the ratio suddenly moves strongly in an opposite direction, it usually signals the beginning of the end of a cycle. The graph shows how the ratio has moved over the past 8 weeks, and the bar chart shows the actual number of rate increases to decreases used to calculate the ratio. The greater the number of ups and downs, the longer the cycle probably will last.

Source: ©Bank Rate Monitor, North Palm Beach, Fla. 33408. All inquiries: (407) 627-7330

Small Bank Aims to Rule Technology Niche

By SAM ZUCKERMAN

SAN FRANCISCO — It's rare for a small bank to leap the continent to open a loan office. And it's even more unusual for such a bank to declare that it aims to become the national leader in a particular lending market.

But that is what $456 million-asset Silicon Valley Bank of Santa Clara, Calif., did last month when it announced plans to open a technology loan office near Boston.

'A Global Marketplace'

"We do not think the technology marketplace is a local marketplace," said Roger V. Smith, Silicon's president and chief executive. "It's a global marketplace."

This latest move by Mr. Smith, who has made Silicon one of the top performers in the country, represents much more than a simple effort to tap into the rich high-tech market in the Boston area.

To Open Orange County Office

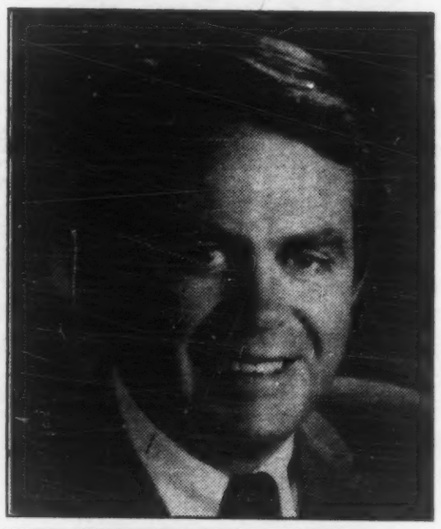
"We want to dominate the lower end of the [technology] marketplace," said Harry W. Kellogg Jr., chief of Silicon's technology lending division. This summer, he said, in the bank's second foray outside the San Jose-Silicon Valley area, it will open a technology loan office in Orange County, Calif.

Mr. Smith founded Silicon in 1983, after 14 years with Wells Fargo Bank, including a stint as head of its technology lending unit. Since then, Silicon's assets have grown 13-fold while producing a 23% compound annual return to investors.

Last year the company posted an impressive 2.17% return on assets and a 28.4% return on equity while ranking consistently among banks its size as a national leader in productivity and cost control.

Known as Technology Lender

The bank's customers include small and middle-market businesses as well as local real estate developers. But Silicon, as its name suggests, is best known for its prowess as a technology lender.



'We want to dominate the lower end of the [technology] marketplace.'

Roger V. Smith
Silicon Valley Bank

With thorough knowledge of the technology business, an ability to tailor loan products, and special relationships with the venture capitalists who finance young companies, Silicon has become the dominant lender to maturing high-tech companies in Northern California.

Mr. Smith "is very aggressive," said a rival banker. "He goes after deals in an assertive way."

No Past-Due Loans in 1989

Silicon achieved its status while maintaining tough underwriting standards. In 1989 the bank had no nonperforming loans, no past-due loans, and no charge-offs in its technology portfolio.

Mr. Kellogg said, however, that a few credits were saved only after venture capitalists with stakes in the borrowers stepped in. "We dodged a few bullets," he acknowledged.

Some bankers are skeptical about Silicon's plan to venture so far from home. They suggest that the move could jeopardize the bank's sterling record for credit quality.

Beating the Odds

Small banks, they noted, often get burned outside their home markets because they don't know faraway borrowers and lack the controls to monitor a distant outpost.

"I would be very nervous," one banker said.

But analysts said Mr. Smith makes a strong case that Silicon may be the institution to beat the odds.

High-Technology Loans Only

"I don't think it has ever been done the way Silicon is doing it," said Murray G. Bodine, an investment banker with Hoefer & Arnett, San Francisco. "We needed to be convinced, but it's a natural extension of their existing business."

Mr. Smith stressed that the bank will make only technology loans. And long-distance technology lending, he argued, is less risky than long-distance real estate lending, for example.

Silicon's technique is to build relationships with the venture capitalists who provide start-up financing to technology companies.

"We know what we're doing in this marketplace," Mr. Smith said. "Many of the venture firms [that the bank deals with in the Silicon Valley] also invest in the Route 128 area," Boston's technology zone.

What persuaded Mr. Smith to open the Boston-area office, he said, was the availability of three members of the high-tech lending team at Bank of New England's after the troubled Massachusetts bank was forced to cut back credits.

The team includes Allyn C. Woodward Jr., group manager. Mr. Smith said he has known Mr. Woodward for years, ever since Silicon began selling loan participations to The Bank of New England.

"The guys they hired were the premiere tech lenders in New England," said Mark T. Boyer, an investment manager with Volpe, Covington & Welty, a San Francisco brokerage house.

Chase Was First In '89 ACH Deals

Continued from *page 7*

dent for corporate cash management.

"Our May 1990 transaction volume will exceed 3.3 million items," he said. "We expect to process approximately 40 million debit transactions during 1990," which would yield a 28% increase for the year.

The originator among the top 100 with the biggest percentage gain, Deposit Guaranty National Bank, Jackson, Miss., rose 150% last year to 3.1 million items after converting the state's largest insurance company, Southern Farm Bureau Life Insurance Co., to a direct-debit premium system from paper drafts.

"We had a relationship with them, but [the ACH business] wasn't automatic," said John Fraiser, assistant vice president at the $4.5 billion-asset Deposit Guaranty. "Regional banks call on the company all the time. We were in direct competition with Wachovia on that contract."

Deposit Guaranty now faces a test: Can it hold onto a large customer with a service that can easily be switched to a competitor? □

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TOP 300 THRIFTS IN THE U.S.
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VOL. CLV NO. 97 *Friday, May 18, 1990* *155th year*

German Banks Poised to Play Dominant Role

By JOHN EVANS

LONDON — The European Community is stimulating a merry-go-round of competition in financial services, and West Germany's biggest banks are in the best position to grab the brass rings.

Bankers and analysts say that Germany, which already has more big banks than any other country in Europe, has several advantages in developing the large banking conglomerates that many observers believe are destined to dominate financial services across the European Community.

ANALYSIS: *Follow-up on the news*

On the front lines for this turf war are Germany's universal banks such as Deutsche Bank AG. Such institutions combine retail and wholesale banking, merchant banking, and related securities and investment functions.

German bankers talk about evolving this powerful combination even further through the "allfinanz" bank, which will take on additional powers such as insurance, thereby establishing giants to provide virtually any financial service.

In addition, German banking can spread through the European Community from a highly protected home base, analysts say. Germany's tight-knit domestic financial services system makes the country almost as difficult to break into for foreign banks as Japan, which is frequently accused of running a closed shop as far as overseas financial companies are concerned.

States Control Banks

More than half of the German market consists of savings and regional banks, many of which are owned or controlled by the various states that make up the Federal Republic.

These institutions, with the backing of local governments and municipalities, dominate the nation's retail banking sector and make it virtually impossible for a foreigner to get a foothold, analysts say.

"I can't see foreign banks making much progress in trying to break into Germany's retail banking markets, although banks like Citicorp have built up a decent-size business," said Thomas Albrecht, an analyst with the brokerage firm UBS Phillips & Drew.

Citicorp's Frankfurt-based Kunden Kredit Bank unit, which operates some 700 con-

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INSIDE NEWS

CONSUMER

FIRST NATIONAL Bank of Chicago is adding debit capabilities to its ATM cards. *Page 6*

INTERNATIONAL

MEXICO PLANS to sell state-owned banks to free capital, but so far has given only a sketch of the plan. *Page 10*

TECHNOLOGY

FOUR SOUTHERN BANKS and a vendor are developing software to give corporations greater control over direct electronic payments to suppliers. *Page 3*

MORTGAGES

AMERICAN RESIDENTIAL Mortgage Corp. plans to sharply increase its servicing portfolio under new ownership. *Page 8*

FINANCE

DAVID B. PAYNE, chief financial officer of the Bank of New England, says the institution is on the road to recovery. *Page 32*

PEOPLE

DAVID W. MULLINS' arrival at the Fed gives the board a full complement. *Page 2*

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LATE NEWS

Delaware Set to Vote On Insurance Bill

The Delaware Senate was moving toward a vote late Thursday afternoon on legislation that would allow banks with operations in the state to underwrite and sell insurance nationwide.

Banking and insurance industry officials expected the the bill to pass. The measure has already cleared the House of Representatives. Lobbyists said Gov. Michael Castle has indicated that he would sign the legislation, which would significantly expand bank insurance powers.

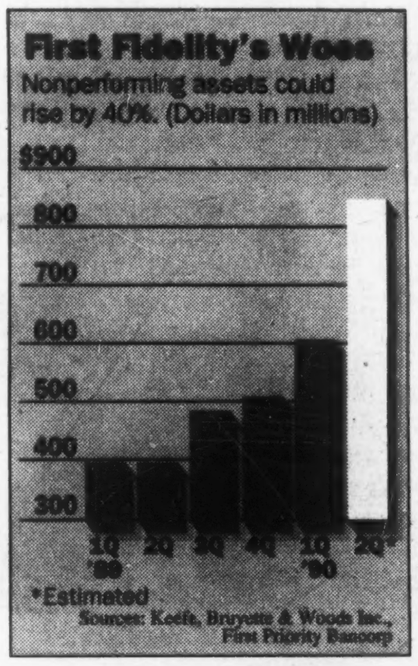
First Fidelity Chops Payout As Its Credit Deteriorates

By GORDON MATTHEWS

NEW YORK — First Fidelity Bancorp. said Thursday that it is slashing its stock dividend nearly in half because of worsening credit quality that could send nonperforming assets up as much as 40% this quarter.

The annual dividend of the New Jersey superregional banking company was cut to $1.20 from $2 per share of common stock.

The move reflects "deterioration in the real estate market and a general softening of the regional economy, as well as a change in the regulatory environment," said Anthony P. Terracciano, First Fidelity's chairman and chief executive officer.



Dividend Brought 'In Line'

The dividend cut would "bring First Fidelity's payout ratio in line with its peers," Mr. Terracciano said, and would increase its ability to generate capital internally for future growth.

The news sent First Fidelity's stock soaring $1.875 a share, to $19.50 at the close on the New York Stock Exchange.

The surge surprised analysts. They speculated that investors believe the new management, under Mr. Terracciano, was moving aggressively to restructure the company and that its stock has hit its bottom.

Shares Were at a Low

Wednesday, the day before the announcement, First Fidelity's shares had hit a 52-week low of $17.625.

First Fidelity also announced Thursday that it had put up for sale both its Fidelcor Business Credit Corp., an asset-based lending company in New York, and Latimer & Buck Inc., its commercial mortgage banking firm in Philadelphia.

See **FIRST** *back page*

D.C. Bank Borrowing From Fed, Sources Say

By BILL ATKINSON

WASHINGTON — National Bank of Washington is borrowing from the Federal Reserve System's discount window because some banks are refusing to lend it overnight deposits, according to sources close to the troubled bank.

The principal subsidiary of the $2 billion-asset Washington Bancorp. is borrowing about $130 million daily, in part to cover $25.8 million in maturing, unsecured commercial paper on which five banks recently withdrew backup lines of credit, a source said.

A spokeswoman for Washington Bancorp. denied that sources of overnight interbank loans, known as federal funds, have dried up. But she declined to specify the amount of federal funds available. She also would not comment on the nature or amount of borrowings from the discount window, which is a short-term, backup source of liquidity. The Federal Reserve

See **D.C. BANK** *page* **26**

S&L Asks to Exit The Home Loan Bank System

By BARBARA A. REHM

WASHINGTON — A $2 billion-asset thrift in Wisconsin is seeking to leave the Federal Home Loan Bank System, intensifying regulators' fears of a stampede out of the system by healthy thrifts.

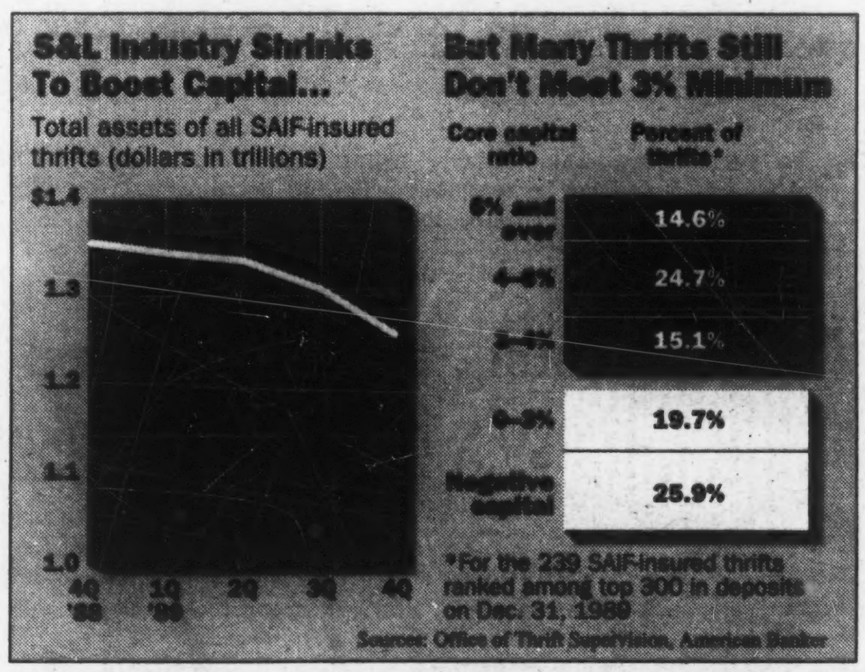
Security Bank, Milwaukee, has become the second thrift to notify the Federal Housing Finance Board that it plans to withdraw from the Home Loan Bank System, which provides low-cost loans to members. (Some regulators are searching for ways to reduce the system's dependence on members' participation. See page 8.)

Security said it wants to redeem its $14 million of stock in the Federal Home Loan Bank of Chicago and seek a higher yield on the funds.

A Line at the Exit Door

The action follows a decision last fall by the $250 million-asset Wauwatosa Savings and Loan Association, also of Wisconsin, to withdraw from the Chicago Home Loan Bank. The Wauwa-

See **WISCONSIN** *page* **13**



Many Thrifts Are Still on the Brink As Capital Strength Proves Elusive

By TERESA CARSON
and L. MICHAEL CACACE

Almost 40% of the country's 300 largest thrifts failed to meet minimum regulatory capital limits at the end of last year, an *American Banker* survey shows. Industry experts say this means the thrift industry is still a long way from returning to health.

"The rich will get richer and everyone is scheduled for euthanasia – with pain," said Richard T. Pratt, chairman of Merrill Lynch Mortgage Capital and a former chairman of the Federal Home Loan Bank Board.

The survey found that 239 of the top 300 thrifts at yearend 1989 were members of the Savings Association Insurance Fund (SAIF). Almost half of these institutions did not meet the regulatory minimum of 3% core capital to assets. In fact, 62 had negative core capital.

See page **26**

COMMENT / *By Michael S. Gambro and Sally S. Hamilton*

Exchange Offers Can Help Ailing Thrifts

Thrifts that are struggling to meet the stiff new capital requirements of the bailout law should consider whether a successful exchange offer might boost tangible capital and core earnings.

Restructuring the balance sheet through exchange offers can help an institution achieve capital compliance in two ways.

First, many instruments (such as subordinated debt and cumulative preferred stock) that had qualified as regulatory capital under prior capital regulations do not qualify as "tangible capital" for purposes of meeting the new requirements. The debt service or dividend payment requirements on these instruments also detract from the institution's ability to build capital through retained earnings.

On the other hand, common stock that may be exchanged for preferred stock or subordinated debt generally carries no fixed costs. The result is increased tangible capital and better earnings potential.

An exchange offer can be substantially dilutive, but this may be outweighed by incentives to raise tangible capital. These include growth restrictions for thrifts that fail to meet their capital requirements; possible suspension of Federal Deposit Insurance Corp. coverage for institutions with no tangible capital, and an expected "early intervention" regulation for thrifts whose tangible capital is below 1% of total assets.

However, for severely undercapitalized thrifts without core earnings, even a successful offer may provide no more than "Band-Aid" treatment. A case in point is Financial Corporation of Santa Barbara, parent of Santa Barbara Savings.

This company recently concluded an exchange offer that substantially boosted its thrift's tangible capital on a pro forma basis. Nevertheless, the Office of Thrift Supervision hit Santa Barbara the following month with a capital directive that imposed crippling operating restrictions.

Mr. Gambro and Ms. Hamilton are lawyers with the firm Cadwalader, Wickersham & Taft in New York City.

Legal Considerations

In an exchange offer, existing security holders of the thrift or its holding company are invited to accept cash, newly issued securities, or some combination of the two in exchange for securities currently outstanding. The offer of new securities and the invitation to tender existing securities are each subject to regulation and trigger separate filing requirements.

Newly issued securities of a holding company must generally be registered with the Securities and Exchange Commission, while the offering of new securities by a thrift would require a similar filing with the OTS. An exemption from these requirements may be available when the offer comes from the issuer of both the outstanding securities and the securities to be issued in the exchange offer.

Whether or not an exemption applies, an offering document must be prepared that describes in great detail the terms of the offer, the outstanding and new securities, and the issuer. This will involve the participation of key thrift employees, lawyers, and accountants; it can be expected to consume substantial time and effort.

An exchange offer also subjects the offerer's conduct during the offer to various other securities regulations. These prescribe how long an exchange offer must remain open and the notification procedure for extending offers. The regulations also stipulate that consideration be paid "promptly" upon acceptance of tenders at the expiration of the offer.

Shareholder Approval

If the offerer must amend its charter to increase the number of authorized shares, state or federal law requires shareholder approval. In addition, stock exchange rules may require shareholder approval for increases in the number of shares outstanding. If shareholder approval is needed, solicitation of such holders may require compliance with federal proxy rules.

Issuers should also carefully review all outstanding agreements to determine whether the issuance of additional stock or the redemption of outstanding securities pursuant to the exchange offer requires consent the of lenders, holders of specific classes of securities, or others.

"An exchange offer can be substantially dilutive, but this may be outweighed by incentives to raise tangible capital."

Even when shareholder approval of the exchange offer is not required, the issuer's board of directors may wish to seek such approval because of the offer's expected substantial dilutive effect on earnings per share and control.

Shareholder ratification could provide the board with some protection from lawsuits challenging these effects. The board may also find it worth the added expense of obtaining an opinion from an independent financial adviser that the offer is fair to the holders of common stock from a financial point of view.

When the Terms Change

The pendency of an exchange offer is a period of often tacit negotiation with the holders of the target securities. Any extension, waiver of condition, or change in the terms of the offer will require appropriate disclosure.

Procedures for disclosure vary according to the nature of the development, the degree to which the initial offering documents contemplated the development, and whether or not the offering is subject to certain tender offer rules.

Also, material changes relating to the thrift or holding company or external developments that might affect the security holder's decision to tender may require the updating and recirculation of the prospectus.

Even with full disclosure, the offerer is not totally free to change the offer. Special deals with substantial holders may not be possible if the tender-offer rules apply to the offer.

Moreover, although many investors may seek some combination of cash and securities in exchange for their tendered securities, applicable law or regulations may limit the sources from which cash consideration can be paid or preclude such payments altogether.

Overall Effects

The impact of a successful exchange offer on the thrift and its shareholders involves the interplay of many variables – an increase in tangible capital and improved core earnings due to reduced debt service versus the dilution of earnings per share and voting control.

Although the issuance of additional shares may also have a depressing effect on the market price of the common shares, this negative effect may be offset by the improved viability of the institution resulting from the capital infusion and prospects of improved earnings.

Weighing the effects of the exchange offer on the institution's tax position will require a careful analysis of such factors as:

- Its existing tax attributes (such as net operating losses and built-in losses).
- The possible increase in the institution's regular or alternative minimum taxable income (to the extent the discharge from indebtedness exceeds any mar-

See **COMMENT** *page* **29**

FUNNY MONEY / *By Tom Leander*

One COLA with a Twist

Apparently, the Federal Deposit Insurance Corp. has to try a little harder to get good help these days.

The federal regulator has been running an advertisement in financial newspapers seeking "highly skilled professionals for three key positions" in the mortgage-backed securities, interest rate risk, and futures and options areas.

The ad said the jobs pay $55,375 to $84,675 a year and include a unique perk: a "cost-of-living deferential."

* * *

Unreasonable Facsimile

A recent advisory letter from the Office of the Comptroller of the Currency to U.S. banking leaders leaves nothing to the imagination.

Addressed to "Chief executive officers and directors of all national banks," the April 26 letter warns that the Comptroller's office has received a series of prank facsimiles about transactions relating to a fictitious account at Continental Bank in Chicago.

"To date, the amounts referred to have been extremely large," ranging from $728 million to $1.76 trillion, says the memo.

And in case the CEOs did not grasp the message, the memo dutifully added: "Such facsimiles are not credible."

* * *

Tweaking a Card Giant

In this age of proliferating plastic, it's sometimes hard to tell an honest credit card from funny money.

So Much Fun Inc., a Concord, Mass., toy and gift company, has complicated the situation by issuing an entire line of bogus credit cards – and three of their lookalikes have irked American Express.

The "Russian Express Card," the "Ecumenical Express Card," and "The Bank of Poland Card" play off the American Express name and sport similar logos. The cards are recognizably different at second glance.

But American Express is not amused. The company has written a letter of complaint to So Much Fun's president, Steven Lishansky. The credit card giant asked his company to stop issuing the three cards because because of their similarity to American Express products.

A spokeswoman for American Express confirmed the letter and added that the company is negotiating a settlement with So Much Fun.

"We have no intention of ceasing and desisting," stated Mr. Lishansky, who also confirmed the negotiations.

He said, however, that his attorneys had advised him to change the "Neiman Mark-Up Card" – another So Much Fun product. "We're thinking of changing the name to 'Needless Mark-Up,' " he said.

* * *

Fannie Mae Begs to Differ

Fannie Mae, the mortgage agency, has been working hard to build overseas interest in mortgage-backed securities – and is reporting considerable purchasing by foreigners. But this week, at a conference sponsored by Fannie Mae, mortgage securities pioneer Lewis S. Ranieri dismissed the overseas buying as "a pimple on an elephant's back."

Fannie Mae executives were clearly taken aback. Vice President Robert Sahadi, fresh from a trip to Japan, declared, "We talked to some of the biggies, and they're buying."

— Phil Roosevelt

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TOP 300 THRIFTS

Top 300 U.S. Thrift Institutions

In Order of Deposits, December 31, 1989, Compared with December 31, 1988

Rank 12/31/89		Deposits 12/31/89	Deposits 12/31/88	Rank 1988	Gain	Assets 12/31/89	Assets 12/31/88	Capital 12/31/89	Capital/ Assets(%)	Chart. Type	Insur. Type
1	Home Savings of America, FA, Irwindale, Calif.	33,100,655,000	29,568,816,000	1		44,924,933,000	40,917,353,000	2,108,781,000	4.69	4	2
2	Great Western Bank, FSB, Beverly Hills	23,117,669,000	21,664,188,000	2		34,949,576,000	30,837,077,000	1,852,755,000	5.30	2	2
3	Glendale Federal Bank, FSB, Calif.	15,869,180,000	15,300,883,000	4	+1	24,043,905,000	24,313,386,000	932,816,000	3.88	2	2
4	California Federal Bank, FSB, Los Angeles	15,194,340,000	18,787,200,000	3		23,269,859,000	25,857,500,000	1,047,889,000	4.50	2	2
5	American Savings Bank, FA, Irvine, Calif.	13,639,461,000	13,401,466,000	6	+1	16,290,515,000	15,409,744,000	489,833,000	3.01	4	2
6	Homefed Bank, FSB, San Diego, Calif.	13,034,251,000	11,558,328,000	8	+2	17,752,680,000	16,261,058,000	1,041,157,000	5.86	2	2
7	First Nationwide Bank, FSB, San Francisco	11,925,000,000	14,787,467,000	5		22,088,000,000	26,130,421,000	978,048,000	4.43	2	2
8	World Savings, FS&LA, Oakland, Calif.	11,457,331,000	10,141,780,000	11	+3	19,263,899,000	16,352,299,000	1,118,280,000	5.81	4	2
9	Great American Bank, SSB, San Diego, Calif.	11,419,312,000	10,799,471,000	9		15,898,585,000	16,084,341,000	373,520,000	2.35	4	2
10	Meritor Savings Bank, Philadelphia (a)	10,503,153,000	12,209,344,000	7		12,639,807,000	17,172,011,000	303,694,000	2.40	2	1
11	Dime Savings Bank of New York FSB, Garden City	9,759,151,000	8,652,658,000	14	+3	11,652,230,000	12,007,151,000	631,852,000	5.42	2	1
12	Goldome, Buffalo, N.Y.	9,375,653,000	10,529,276,000	10		12,999,150,000	14,962,534,000	(326,391,000)	(2.51)	2	1
13	CrossLand Savings FSB, Brooklyn, New York	8,994,087,000	8,791,305,000	13		14,102,367,000	15,143,802,000	229,061,000	1.62	2	2
14	Coast Savings & Loan Assn., Los Angeles	8,904,590,000	8,803,298,000	12		11,293,189,000	12,898,630,000	372,833,000	3.30	4	2
15	Empire of America Federal Savings Bank, Buffalo, N.Y.★	7,947,151,000	8,325,671,000	17	+2	8,142,100,000	11,281,412,000	(978,007,000)	(12.01)	2	2
16	Columbia Savings & Loan Assn., Beverly Hills	7,828,652,784	8,089,177,000	18	+2	9,334,522,079	11,752,238,000	140,740,000	1.51	4	2
17	First Gibraltar Bank, FSB, Dallas	7,555,575,000	8,484,642,000	15		9,774,756,000	12,497,352,000	487,036,000	4.98	4	2
18	Anchor Savings Bank, FSB, Northport, N.Y.	7,027,918,000	6,734,031,000	21	+3	8,938,276,000	8,401,707,000	(119,600,000)	(1.34)	2	2
19	Gibraltar Savings FA, Simi Valley, Calif.★ (b)	6,989,625,000	7,573,847,000	19		8,622,088,000	13,436,242,000	(50,733,000)	(0.59)	3	2
20	Imperial Savings Assn., San Diego, Calif.★	6,624,900,000	8,329,541,000	16		9,581,584,000	12,349,537,000	(23,091,000)	(0.24)	4	2
21	City Savings Bank, FSB, Somerset, N.J.★	6,305,261,000	7,365,181,000	20		8,582,471,000	10,552,806,000	(805,137,000)	(9.38)	1	2
22	Standard Federal Bank, Troy, Mich.	6,167,305,000	5,272,603,000	24	+2	9,638,381,000	9,803,376,000	440,383,000	4.57	2	2
23	CenTrust Bank, SSB, Miami★	5,922,475,000	6,297,378,000	22		8,217,563,000	10,103,877,000	(199,875,000)	(2.43)	4	2
24	People's Bank, Bridgeport, Conn.	5,576,065,000	5,065,375,000	25	+1	7,037,923,000	6,294,349,000	478,884,000	6.80	2	1
25	Citicorp Savings, FS&LA, San Francisco	4,906,184,000	4,677,832,000	30	+5	7,393,077,000	6,943,066,000	832,316,000	11.26	4	2
26	Atlantic Financial Savings, FA, Bala Cynwyd, Pa.★	4,876,399,000	4,963,062,000	27	+1	6,873,268,000	7,939,932,000	(362,625,000)	(5.28)	3	2
27	MeraBank, FSB, Phoenix, Ariz.★	4,746,485,000	5,019,493,000	26		6,381,942,000	8,348,139,000	(407,903,000)	(6.39)	4	2
28	Howard Savings Bank, Newark, N.J.	4,648,228,000	4,484,040,000	32	+4	5,081,374,000	5,174,232,000	287,873,000	5.67	2	1
29	Talman Home Federal Savings & Loan Assn., Chicago	4,403,945,000	4,653,301,000	31	+2	6,072,659,000	6,336,137,000	(126,782,000)	(2.09)	4	2
30	Dollar Dry Dock Bank, White Plains, N.Y.	4,396,064,000	4,186,767,000	37	+7	5,020,009,000	5,024,098,000	75,092,000	1.50	2	1
31	Long Island Savings Bank FSB, Melville, N.Y. (c)	4,388,823,000	4,239,942,000	35	+4	5,374,389,000	5,263,080,000	18,361,000	0.34	1	2
32	Franklin Savings Assn., Ottawa, Kan.★	4,377,876,000	3,309,257,000	53	+ 21	11,427,820,000	13,266,390,000	387,432,000	3.39	4	2
33	Chevy Chase Savings Bank, FSB, Md.	4,360,201,000	3,988,537,000	40	+7	4,713,146,000	4,987,740,000	148,760,000	3.16	2	2
34	Perpetual Savings Bank, FSB, McLean, Va.	4,353,178,000	4,123,773,000	39	+5	5,993,718,000	5,954,533,000	280,572,000	4.68	2	2
35	First Federal of Michigan, Detroit	4,347,180,000	4,911,700,862	28		11,088,251,000	11,941,524,520	384,330,000	3.47	4	2
36	Carteret Savings Bank, FA, Morristown, N.J.	4,272,447,000	4,355,013,000	34		6,132,423,000	6,682,279,000	209,685,000	3.42	2	2
37	Western Savings & Loan Assn., FA, Phoenix★	4,164,489,000	4,229,348,000	36		4,221,276,000	5,649,853,000	(1,412,566,000)	(33.46)	3	2
38	Green Point Savings Bank, Brooklyn, New York	4,071,846,000	3,622,622,000	45	+7	4,614,000,000	4,073,207,000	517,950,000	11.23	1	1
39	Southwest Savings Assn., Dallas	3,901,861,000	4,166,953,000	38		5,520,886,000	6,820,473,000	(189,037,000)	(3.42)	4	2
40	Northeast Savings, FA, Hartford, Conn.	3,847,120,000	4,906,967,000	29		5,413,470,000	8,214,776,000	54,374,000	1.00	4	2
41	First Federal Savings & Loan Assn., Rochester, N.Y.	3,830,525,000	3,740,514,000	41		5,640,253,000	5,370,632,000	89,204,000	1.58	3	2
42	Sunbelt Savings, FSB, Dallas	3,718,284,000	5,712,208,000	23		9,108,052,000	9,387,162,000	1,013,000	0.01	1	2
43	Citicorp Savings of Illinois, FS&LA, Chicago	3,713,444,000	3,632,476,000	43		5,476,808,000	5,436,158,000	853,362,000	15.58	4	2
44	Transohio Savings Bank, Cleveland	3,633,227,000	3,624,443,000	44		5,399,077,000	6,246,622,000	213,156,000	3.95	4	2
45	Western Fed. Savings & Loan Assn., Marina Del Rey, Calif.	3,562,843,000	3,109,333,000	63	+ 18	4,808,685,000	4,477,033,000	145,319,000	3.02	4	2
46	Apple Bank For Savings, New York	3,484,459,000	2,841,763,000	73	+ 27	3,849,429,000	3,336,563,000	238,456,000	6.19	2	1
47	Washington Mutual Savings Bank, Seattle	3,479,335,000	3,270,016,000	54	+7	6,060,902,000	5,796,614,000	401,245,000	6.62	2	1
48	FarWest Savings & Loan Assn., Newport Beach, Calif.	3,468,330,000	3,320,020,000	52	+4	4,354,699,000	4,760,091,000	87,335,000	2.01	4	2
49	Household Bank FSB, Newport Beach, Calif.	3,454,676,000	2,371,308,000	89	+ 40	7,051,505,000	4,971,387,000	311,032,000	4.41	2	2
50	American Savings Bank, FSB, White Plains, N.Y.	3,451,664,000	3,464,404,000	46		4,430,202,000	4,356,374,000	172,290,000	3.89	2	1
51	Columbia Savings, FS&LA, Englewood, Colo.	3,389,404,000	3,152,924,000	60	+9	4,844,902,000	5,395,729,000	147,893,000	3.05	4	2
52	American Savings & Loan Assn. of Florida, Miami	3,357,691,000	3,166,289,000	58	+6	4,929,398,000	5,310,804,000	146,496,000	2.97	4	2
53	Fidelity Federal Bank, FSB, Glendale, Calif.	3,327,214,000	3,106,235,000	64	+ 11	4,971,885,000	4,649,396,000	213,598,000	4.30	2	2
54	TCF Bank Savings, FSB, Minneapolis	3,322,514,000	3,440,381,000	48		4,658,239,000	5,296,127,000	159,511,000	3.42	2	2
55	Emigrant Savings Bank, New York	3,269,328,640	3,154,645,224	59	+4	3,571,954,772	3,657,085,241	197,828,000	5.54	2	1
56	Benjamin Franklin Federal S & L Assn., Portland, Ore.★	3,213,813,000	3,252,732,000	55		4,968,142,000	5,505,188,000	(57,256,000)	(1.15)	4	2
57	Downey Savings & Loan Assn., Newport Beach, Calif.	3,192,465,000	2,962,843,000	67	+ 10	3,774,336,000	3,818,223,000	219,368,000	5.81	4	2
58	AmeriFirst Bank, FSB, Miami	3,183,573,000	3,458,105,000	47		4,116,403,000	4,546,645,000	71,745,000	1.74	2	2
59	Pacific First Federal Savings Bank, Seattle	3,177,204,000	2,955,150,000	68	+9	5,667,474,000	5,844,695,000	271,666,000	4.79	2	2
60	Citizens Federal Bank, FSB, Miami	2,989,776,000	2,952,907,000	69	+9	4,257,056,000	4,558,978,000	147,011,000	3.45	2	2
61	Lincoln Savings & Loan Assn., FA, Los Angeles★	2,907,620,000	4,409,061,000	33		2,906,307,000	5,458,712,000	(1,285,607,000)	(44.24)	3	2
62	San Jacinto Savings Assn., Houston	2,905,465,000	3,113,201,000	62		3,319,866,000	3,808,757,000	16,427,000	0.49	4	2
63	Hudson City Savings Bank, Paramus, N.J.	2,870,671,981	2,732,766,251	78	+ 15	3,219,534,598	3,033,489,207	225,390,847	7.00	1	1
64	Society for Savings, Hartford, Conn.	2,831,844,000	2,794,232,000	74	+ 10	4,422,091,000	3,747,941,000	259,104,000	5.86	2	1
65	Home Savings Assn. of Kansas City, FA, Mo.	2,827,758,000	2,857,614,000	72	+7	3,264,012,000	3,498,113,000	(6,094,000)	(0.19)	4	2
66	Home Owners Savings Bank, FSB, Boston	2,822,396,000	2,661,065,000	79	+ 13	3,625,249,000	3,971,470,000	(50,324,000)	(1.39)	2	2
67	Manhattan Savings Bank, New York	2,808,207,000	2,765,064,691	76	+9	3,080,087,000	3,080,802,770	270,676,000	8.79	1	1
68	Georgia Federal Bank, FSB, Atlanta	2,755,412,000	2,644,027,000	80	+ 12	4,177,214,000	4,356,603,000	184,035,000	4.41	2	2
69	Guaranty Federal Savings Bank, Dallas	2,742,963,000	3,219,246,000	56		4,009,979,000	4,126,161,000	128,582,000	3.21	2	2
70	Capitol Federal Savings & Loan Assn., Topeka, Kan.	2,739,938,000	2,562,495,000	84	+ 14	3,157,662,000	3,027,414,000	266,201,000	8.43	3	2
71	Bright Banc Savings Assn., Dallas†	2,707,743,000	3,003,429,000	65		2,832,102,000	4,566,836,000	(1,181,263,000)	(41.71)	4	2
72	Commercial Federal Savings & Loan Assn., Omaha, Neb.	2,680,267,550	3,367,094,000	51		5,860,659,035	6,742,469,000	80,052,000	1.37	4	2
73	Florida Federal Savings Bank, St. Petersburg	2,644,954,000	3,121,237,000	61		4,654,538,000	5,066,790,000	11,824,000	0.25	4	2
74	Sears Savings Bank, Glendale, Calif.	2,624,691,000	3,440,297,545	49		4,465,589,000	4,843,605,357	192,184,000	4.30	4	2
75	Rochester Community Savings Bank, N.Y.	2,612,964,000	2,966,534,000	66		4,028,011,000	4,373,738,000	310,622,000	7.71	2	1
76	San Francisco Federal Savings & Loan Assn.	2,603,975,000	2,773,224,000	75		3,406,573,000	4,499,139,000	152,948,000	4.49	4	2
77	Homestead Savings, FS&LA, Millbrae, Calif.	2,593,236,000	3,169,145,956	57		2,892,632,000	5,756,065,705	68,305,000	2.36	4	2
78	Williamsburgh Savings Bank, Brooklyn, New York	2,569,642,000	2,735,861,000	77		3,670,997,000	3,516,463,000	335,973,000	9.15	2	1
79	St. Paul Federal Bank for Savings, Chicago	2,560,900,000	2,369,257,745	91	+ 12	3,357,073,000	3,096,704,908	210,349,000	6.27	2	2
80	Farm & Home Savings Assn., Nevada, Mo.	2,489,071,000	2,358,906,000	92	+ 12	3,080,523,000	3,545,768,000	185,883,000	6.03	4	2
81	United Savings Assn. of Texas, FSB, Houston	2,484,633,000	3,368,661,000	50		3,260,735,000	5,012,764,000	117,981,000	3.62	2	2
82	Old Stone Bank, FSB, Providence, R.I.	2,482,619,000	2,564,746,000	83	+1	3,222,367,000	3,657,376,000	168,165,000	5.22	2	2
83	Astoria Federal Savings & Loan Assn., Queens, New York	2,406,531,549	2,322,683,242	94	+ 11	3,109,348,625	3,084,232,379	258,004,000	8.30	3	2
84	First Federal Savings & Loan Assn., Pittsburgh	2,389,187,000	2,424,612,000	88	+4	3,126,975,000	3,126,721,000	(64,015,000)	(2.05)	3	2
85	Community Federal Savings & Loan Assn., St. Louis, Mo.	2,373,935,000	2,568,455,000	81		3,003,547,000	3,682,588,000	(421,329,000)	(14.03)	3	2
86	Third Federal Savings & Loan Assn., Cleveland	2,368,876,000	2,138,288,682	100	+ 14	2,653,243,000	2,402,883,259	243,245,000	9.17	3	2
87	Valley Federal S & L Assn., Van Nuys, Calif.	2,361,607,000	2,528,358,000	85		3,015,374,000	3,480,404,000	(40,182,000)	(1.33)	4	2
88	Amwest Savings Assn., Bryan, Tex.	2,344,522,000	2,896,309,000	70		3,919,697,000	4,307,483,000	100,518,000	2.56	4	2
89	First Minnesota Savings Bank, FSB, St. Paul	2,303,802,000	2,370,769,000	90	+1	3,205,158,000	3,399,264,000	40,776,000	1.27	1	2
90	Lincoln Savings Bank, FSB, New York	2,264,983,000	2,238,214,000	97	+7	2,835,551,000	2,747,663,000	92,554,000	3.26	2	1
91	Greater New York Savings Bank, New York	2,259,862,000	2,067,547,000	102	+ 11	3,105,098,000	3,000,618,000	208,159,000	6.70	2	1
92	Oak Tree Savings Bank, SSB, New Orleans, La.	2,256,907,000	1,163,058,000	197	+105	2,780,212,000	2,305,790,000	194,588,000	7.00	2	2
93	Fortune Savings Bank, Clearwater, Fla.	2,251,711,000	2,257,704,127	96	+3	3,159,796,000	3,183,893,175	122,947,000	3.89	2	2
94	Seamen's Bank for Savings, FSB, New York	2,245,416,000	2,564,864,000	82		3,955,292,000	4,719,364,000	(176,851,000)	(4.47)	2	1
95	Bank Western, FSB, Denver	2,231,557,000	2,350,499,000	93		3,259,299,000	3,638,822,000	203,735,000	6.25	2	2
96	Guardian Savings & Loan Assn., Houston	2,154,446,000	1,815,708,204	115	+ 19	3,679,780,000	4,022,419,926	116,245,000	3.16	4	2
97	Champion Federal Savings & Loan Assn., Bloomington, Ill.	2,148,635,140	2,079,005,000	101	+4	2,602,904,466	2,692,202,000	19,841,000	0.76	3	2
98	Pima Savings & Loan Assn., Tucson, Ariz.★	2,128,117,000	2,211,104,000	98		2,734,063,000	3,182,541,000	26,803,000	0.98	4	2
99	HonFed Bank, FSB, Honolulu	2,081,110,000	1,776,129,000	118	+ 19	3,165,856,000	2,805,226,000	21,927,000	0.69	2	2
100	Sacramento Savings & Loan Assn., Calif.	2,074,869,000	2,021,237,000	105	+5	2,308,609,000	2,436,175,000	152,534,000	6.61	4	2

Data sources: American Banker questionnaire sent to the 400 largest thrifts in the nation. For those thrifts not responding to the American Banker, data provided by the **Office of Thrift Supervision,** Washington, D.C.; **Sheshunoff Information Services Inc.,** Austin Texas; and **ADP Data Services Division,** New York, were used. Also, data from **W.C. Ferguson & Co.,** Irving, Tex., were used to determine yearend 1989 Resolution Trust Corp. conservatorship status of the top 300 thrifts. A "★" next to the thrift's name indicates that the thrift is currently in the conservatorship program; and a "†" indicates that the thrift was in the program and its status has been "resolved." **Total deposits and savings accounts** include: non-interest earning demand and NOW accounts; accounts earning in excess of regular rate in certificates with denominations of $100,000 or more and in other accounts; and accounts earning at or below regular rate in interest-earning NOW accounts, in passbook accounts, and all other accounts, except escrowed accounts. **Capital:** (1) For SAIF-insured thrifts, it is "core capital"; (2) For BIF insured thrifts, it is "Tier 1" capital. As defined by Sheshunoff, **Core capital** is modified equity capital minus deferred losses minus goodwill and other intangible assets minus perpetual preferred stock plus (goodwill, other intangible assets, and FSLIC capital contributions) limited to 1½% of tangible assets. As defined by the FDIC, **Tier 1 capital** is total equity capital plus minority interests in consolidated subsidiaries minus all intangibles other than purchased mortgage servicing rights. **Please note:** the core capital figures reported to American Banker were checked against regulatory data. In some cases, American Banker changed the capital figure reported by the institution to agree with its regulatory report. **Capital/Assets(%):** is the ratio of yearend 1989 capital to yearend 1989 assets. **Charter Types: 1**-Mutual Savings Bank; **2**-Stock Savings Bank; **3**-Mutual Savings & Loan Association; **4**- Stock Savings & Loan Association. **Insurance Types:** 1-BIF-Insured; 2-SAIF-Insured. **(a)—** Consolidated data on a GAAP basis. **(b)—** The 1989 data are combined regulatory data for the thrift and its subsidiary, Gibraltar Savings Bank, FSB, Seattle. **(c)—** The 1989 data are combined regulatory data for the thrift and its division in Centereach, N.Y.

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NOTE

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